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**What is rent stabilization?** Present-day policies (commonly known as rent control) are designed to moderate or stabilize rent increases or curb extreme rent hikes. In this way, rent control can be thought of as a form of insurance against large increases. Generally, Rent stabilization is an effective tool for improving housing stability among renters. Depending on the specific policy design, it can also impact housing affordability more broadly.

**Components of a rent stabilization policy:**



**Which buildings are regulated?**

To avoid disincentivizing new construction, most policies only regulate units built prior to a certain date, meaning new buildings are not subject to the regulations. Small landlords are often exempted from the policy as well.



**Allowable rent increases**

Rent increases are typically allowed only once annually and are frequently tied to inflation and capped at a certain level. Landlords may be granted freedom to raise rents between tenants. A Supreme Court ruling also holds that landlords must be allowed to make a reasonable profit.



**Other tenant protections or controls**

Effective rent stabilization policies must have tenant protections, such as just cause eviction. Under just cause eviction, a landlord may only evict a tenant under one of several listed causes for eviction, such as nonpayment of rent.

**What's the status of rent control in Illinois and around the Country?**

In 1997, Illinois passed the Rent Control Preemption Act, barring local governments from enacting any type of ordinance that would control rental rates. Many other states have similar laws in effect, modeled after legislation drafted by the American Legislative Exchange Council (ALEC).

Rent control policies are currently outlawed in 36 states. However, with housing costs growing faster than incomes nationwide, some states have begun passing laws to enact or strengthen rent control. For example, Oregon recently enacted legislation mandating statewide rent stabilization, and New York State enacted a law expanding rent control.

To learn more about rent stabilization and to download a PDF copy of this infographic, visit: [metroplanning.org/rentstabilization](http://metroplanning.org/rentstabilization)



### What does the research say about impact?

#### **It prevents displacement and promotes stability for those in regulated units.**

In San Francisco, CA people in controlled units are 20% more likely to remain in their units and 4.5% more likely to remain in the city. Rent stabilization could generate significant societal benefits too; people who move for financial reasons are twice as likely to report depression and frequent moves result in lower high school graduation rates.

#### **It does not disincentivize new development by lowering expected returns on investment.**

There is little evidence that rent stabilization policies impact new construction. Most rent stabilization policies exempt new construction within the last 15 years from regulation.

#### **It may motivate landlords toward condominium conversions and personal occupancy, thus reducing overall rental supply.**

A study of Cambridge, MA, which repealed rent control and condominium conversion limitations simultaneously in 1994, found that condominium stock increased 32% after repeal, while housing stock decreased by 6%. Effective policy can limit these conversions.

#### **It provides savings for tenants in stabilized apartments.**

Since rent stabilization helps limit rent increases, it can provide savings for those in rent-stabilized apartments over time. A 2012 study in Cambridge found rents in stabilized units were 44% lower than in non-stabilized units.

#### **It benefits elderly, people of color, and low-income households.**

Regulated units are disproportionately comprised of people who are elderly, people of color, or low-income. A 2015 study found that cities with rent stabilization had residents with a 25% lower median income and 70% more Black residents.



### Where is more research still needed?

#### **Impact on unit quality.**

There is some evidence of a relationship between housing quality and rent regulations. Since investment in maintenance and improvements cannot necessarily be recaptured through increased rents, rent stabilization may act as a disincentive for these projects and ultimately lower the quality of rental stock. However, proactive code enforcement and stronger capital improvement allowances may mitigate this effect.

#### **Impact on rents in un-regulated units.**

Rent stabilization may either increase or decrease rents in non-regulated units, depending on policy design and local context. For example, a 2003 study on New Jersey and California found that regulated cities had 10% lower growth in rents. Meanwhile, a 2018 study on San Francisco found that rent regulation led to a city-wide increase of 5%, likely due to a reduction in rental supply from condominium conversions.

#### **Impact on property values.**

Research is mixed; a 2012 study found that eliminating rent stabilization led to a property value increase of 18-25% in regulated units and 12% in non-regulated units. Meanwhile, a 2015 study on 74 regulated and 87 non-regulated cities in New Jersey found that rent regulations had no significant impact on appreciation rates.

Washington, D.C. was one of the first jurisdictions to implement rent stabilization. The D.C. policy applies to all units built before 1975, except for small landlords who own no more than four rental units. An estimated 36% of D.C.'s rental homes are rent-stabilized.

Under the policy, rents in stabilized units can increase by either the Consumer Price Index (CPI) plus 2% or 10%, whichever is less. For tenants who are elderly or disabled, the allowed annual rent increase is the less of either the CPI percentage or 5%.